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## NATIONAL ECONOMIC POLICY

### IMPORTANCE OF MEETING 1979 BUDGET GOALS STRESSED

Beijing CAIWU YU KUAIJI in Chinese No 8, 20 Aug 79 pp 3-4

[Editorial: "Redouble Efforts Over Next 5 Months To Carry Out 1979 Budget"]

[Text] The 1979 national budget has been examined and approved by the Second Session of the Fifth National People's Congress. The budget is one that will implement the policy of readjusting, restructuring, consolidating, and improving the national economy, one that will advance the movement of increasing production and practicing economy, further develop the national economy, and strengthen its weak links, and one that will accelerate the Four Modernizations in a down-to-earth manner. Implementation of this budget will make a good start for the next 3 years toward the readjustment, restructure, consolidation and improvement of the national economy and the winning of the first battle in achieving the Four Modernizations. This is an important political task about which all the people are concerned, and it has an important bearing on everything.

In the resolution passed by the Second Session of the Fifth National People's Congress on the 1979 national economic plan, the 1978 final accounts of the state, and the 1979 national budget, it is pointed out: "The task of carrying out the 1979 national economic plan and budget is an arduous one which requires us to make very great efforts and to work hard. The congress calls upon the people of all nationalities, under the leadership of the Chinese Communist Party and the people's government, to unite, go all out, emancipate their minds, seek truth from facts, launch vigorously the movement of increasing production and practicing economy, greet with their outstanding achievements the glorious day of the 30th anniversary of their great motherland, and strive to carry out successfully the 1979 national economic plan and budget." As far as the implementation of the budget is concerned, in the first 7 months of this year income was not as good as expected, while expenditures exceeded the program of the budget. This situation falls too far short of the requirement to implement the national budget successfully. It should also be noted that raising the prices of state procurement of grain and other farm and sideline products and readjusting the wages of some staff members and workers will increase

the enterprises' production costs and reduce their profits. These factors will also affect the speed of the increase of financial income in the next few months. Meanwhile, some unanticipated urgent expenditures may also crop up in the course of readjusting the national economy. This will make the task even more arduous in the next 5 months. At the congress' call, we must unite ourselves, go all out, take effective measures, fight hard, and redouble our efforts to strive for the fulfillment of the 1979 budget. Comrades of all localities, departments, and fronts must pay very serious attention to this issue, without any slacking of vigilance.

The key to fulfilling the 1979 budget lies in the implementation of the policy of readjusting, restructuring, consolidating, and improving the economy seriously, not in a slapdash manner, and effectively, not carelessly, by intensifying the mass movement, now in progress, of increasing production and practicing economy. Furthermore, from now on we must grasp firmly and vigorously the work of increasing revenues, cutting down expenditures, and stopping up loopholes in a thoroughgoing manner and with marked results.

We must effectively strengthen the work of readjusting and consolidating the enterprises in coordination with the movement of increasing production and practicing economy. The present 400,000 state enterprises in the country will serve as the starting point and base of our march toward the Four Modernizations and, at the same time, are also an important source for us to accumulate funds for the Four Modernizations. Some enterprises are turning out low-quality products with high consumption of raw materials and incur big losses. On the one hand, they restrict our financial income from increasing speedily; on the other hand, they also indicate that the potential for increasing financial income is truly great. From each 100 yuan in sales, state industrial enterprises in the past made a fairly high profit of 22.53 yuan and a medium profit of 19.7 yuan. For the income plan for 1979, it was calculated at 18.3 yuan. If they can make a medium profit of 19.7 yuan this year, annual income may be increased by 4 billion yuan. In other words, with the readjustment and consolidation of the enterprises, there is a great deal of untapped potential for increasing production and practicing economy, and for increasing revenue and cutting down expenditures. Once this is achieved, there is a solid foundation for the fulfillment of the national budget throughout the year.

We must vigorously increase the output of light and textile industries and open up new resources. Every year, the revenue and profit from light and textile industries constitute about 30 percent of the income of the budget. The light and textile industries require less investment, gain quick returns, earn much foreign exchange, and make a high profit; they are closely related to raising the people's living standard and expanding foreign trade. Trying by all means to turn out more light and textile industrial products to meet current market demand will be beneficial not only to the market supply and recovery of currency but also to increasing national income and earning foreign exchange. The consumption of coal and electricity required by the



textile and other light industries for production is a very small proportion of national industrial consumption; first priority should be given to their supply. The light and textile industrial departments should themselves try hard to increase production. All localities and departments should also give them positive support. While making efforts to turn out more light industrial and textile products, we should also open up new resources to promote actively the development of enterprises of tourism and other services. The experience of some cities shows that tourism is exceedingly lucrative. Also, the operation of various services--such as retail businesses, restaurants, photo studios, and all kinds of repair shops--will not only offer convenience to the people but also rehabilitate a large number of the unemployed besides earning some income. In a word, it is necessary to act according to local conditions, open up financial resources, and seek "ways of making money."

We must make efforts to organize financial income, and resolutely make sure that all revenues and profits are surrendered to the government as they should be. Huge funds are required for carrying out the Four Modernizations. All comrades must realize fully the important significance of the accumulation of funds for the Four Modernizations. On the basis of developing production, all localities should act according to the policies and regulations and promptly remit to the state treasury the revenues and profits which should be surrendered. All business units have the obligation to pay taxes and surrender their profits to the state, which is also their honorable duty. All enterprises and individuals must pay taxes according to the law; these are levied at specified rates and paid according to schedule. Revenues and profits should not be defaulted, misappropriated, or held up. The losses incurred by a losing business, in excess of the state subsidy quota, or losses transcending and beyond the plan cannot be made up with financial funds or loans from a bank. Matters concerning tax reduction or exemption should be decided on the basis of the authority of revenue administration and according to documents published or approved by the State Council and the people's governments at the provincial level; nobody can act to suit himself. All localities and departments must obtain the approval of the Ministry of Finance before they can introduce any trial plan whenever the plan involves the financial system and revenues and expenditures. In no case should they use the name of "experiment" to make their own policies and hold onto state revenue. Any such cases should be rectified by all means.

We should exercise strict control over all financial expenditures, spend less money for more things to be done, and use money really for its worth. This year's allocations for capital construction should be placed under the control of the state budget and within the scope of its targets, without any obstruction. For investments in capital construction, forces must certainly be concentrated to fight a battle of annihilation, to complete every project, and carry out no further war of attrition by uselessly wasting manpower and material and financial resources. Readjusting the scale of capital construction and placing the allocations for capital construction



under control is the key to implementing the budget throughout the year; it is also the key to making a success of the readjustment. Other fiscal expenditures must also be managed with a firm hand. Whatever can be discarded, postponed, or curtailed should be done. Projects which must be completed should also be carried out according to their importance and urgency and within the limits of the budgetary targets. The employment of personnel must be strictly restricted. The purchasing power of social groups must be further constrained. The management of funds in support of agriculture must be improved in order to get better results from their use. Business units must strive to earn more income and reduce subsidiary funds from the state. When localities and departments begin to use surplus funds from the previous fiscal year, they must do so with caution so as not to pay for additional new expenditures--even less for the arrangement of new capital construction.

We must intensify financial supervision and tighten financial discipline. At present, either in fields of production or in fields not engaged in production, there are still many cases in which the financial system and financial discipline are being violated; some cases are fairly serious. As a result, they have brought about extravagance and waste of expenditures or have reduced their income. In all cases, they will cause loss and damage to the state budget. All personnel of state administrative organs and industrial and business units must follow the policy of building our country with industry and frugality and fighting amid hardships, resolutely oppose extravagance and waste, and criticize the wrong ideas that "extravagance is not a crime" and "waste is unavoidable." They must have the courage to take up responsibilities and wage the struggle, make investigation into real situations, and handle seriously those cases of using one's official position to squander money and use public funds as one's own or of causing serious damage and loss through one's negligence of official duty, no matter who or what unit is guilty. The financial departments must resolutely follow the policy of "developing economy and insuring supplies," serve production and construction, serve the people's livelihood, and resolutely guard against simple fiscal viewpoints that depart from economic development and only go around income and expenditure. At the same time, we must rely on the broad masses, intensify financial supervision, and wage our struggle against all acts of extravagance and waste in violation of financial discipline. Any financial department which has failed to examine, combat, and report cases of violation must be punished for its negligence. Willful offenders must be punished more severely. The people cherish the results of their labor and see things clearly. When the people are aroused, extravagance and violations of financial discipline will become targets of their general attack.

The state budget reflects comprehensively all activities of the national economy. It is related directly or indirectly to all the people. Therefore, everyone in our country, including all workers and staff members of state administrative organs and industrial and business units, has the responsibility to supervise the correct implementation of the budget, insure the successful realization of the budget, and overcome all difficulties that may crop up. Only in this way can the 1979 state budget have a reliable guarantee for realization.

## NATIONAL ECONOMIC POLICY

### DETERMINATION OF PRICES OUTLINED

Beijing BEIJING RIBAO in Chinese 23 Nov 79 p 3

[Article by Zhang Changfa [1728 2490 4099]: "How Are Prices Formed?"]

[Text] Price represents the value of commodity, or commodity value in monetary terms. Therefore, commodity value is the basis of commodity price, and the change of commodity price is based on the change of commodity value. Commodity price sometimes corresponds to and sometimes deviates from the value, but always fluctuates around it.

Then, how is commodity value determined? Commodity value is determined by the amount of socially necessary labor time expended. According to its internal composition, commodity price consists of three components: First, the depreciation of fixed assets (namely, machinery, plant premises and other fixed assets) and the consumption of raw and semi-finished materials, fuel and power in the production of a commodity, or the value of all these items transferred to the commodity. Secondly, the workers' wages. The total of these two components is the cost of production. Thirdly, the amount of profit and tax.

There are two types of prices in our economic life: One of them is set by the state and the other is formed spontaneously in response to market conditions. According to the practice of price-setting in the market of Beijing Municipality, the following factors are considered: (1) Commodity value. This is the main basis for setting prices. In the case of industrial products, the factory price is formed of the average cost price of the production units plus profit and tax; the wholesale price is formed of the factory price of industrial commodities (or the procurement price of agricultural products) plus operating expenses, profit and tax; and the retail price is formed of the wholesale price plus operating expenses, profit and tax. Generally, prices being set above or below the cost prices are only isolated and transient phenomena. The difference between products from different departments is generally determined by the difference of value. (2) The supply and demand and the methods of supply. When supply is short of demand, the price of a commodity can be raised above its value in order to limit its consumption. Examples of such commodities are bicycles, wrist

watches and so forth. When the supply is in excess of demand, the price can be lowered in order to increase consumption. Again, the prices for some commodities, such as edible oil, peanuts and so forth, are lower in the home market than in the overseas market. (3) Party and state policies. For example, to meet the basic needs of people's livelihood, the lowered prices not only yield no profit but also involve indefinite loss to the commercial departments. This loss is made up by the state, like in the case of food prices. Some commodities, such as contraceptives and drugs for the same purpose are even supplied free. In this case, even the cost of production cannot be recovered. All these measures are taken according to policies to insure the stability of people's livelihood and the development of the country.

According to the law for the general motion of commodities, the amount of socially necessary labor time embodied by a unitary commodity tends to be continually reduced along with the widespread adoption of scientific and technological methods in production, the increase of labor skill, the development of specialized cooperation, the scientific modernization of economic management and the continual rise of labor productivity. In other words, production tends to increase while the consumption of raw and semi-finished materials, fuel and so forth tends to decrease. The value of commodities will also continue to lower. The rise of labor productivity is proportionate to the reduction of commodity value. Therefore, provided the price corresponds with the value, the general level of commodity prices should be gradually lowered along with the continued rise of labor productivity.

In recent years, however, why has not the general price level been lowered despite the development of our production and the rise of our labor productivity? This is due to many factors. From the historical point of view, one of the important economic problems left behind by old China is the very low prices of agricultural products and the very high prices of industrial products, resulting in a big scissors differential. To reduce this differential, it is necessary to raise the procurement prices for agricultural products. This is an important reason why our general price level, instead of becoming lower, continues to rise. Another problem inherited from old China is that the prices of mineral products (coal, iron and so forth) are low. To promote the mining and tunneling industry as a means of accelerating the development of the entire national economy, it is necessary to appropriately raise the prices of mineral products. So this is another important reason why our general price level continues to rise instead of becoming lower. Actually, the following factors can also affect the change of prices: (1) Because of the gradually increasing investments on agriculture and the fact that the increase of agricultural production cannot keep pace with agricultural investments. Production cost in agriculture is thus increased. At the same time, as the rise of our industrial labor productivity is faster than that of agricultural productivity, the scissors differential between industrial and agricultural products still tends to increase. Therefore, while lowering the prices of the means of agricultural production, the

procurement prices of agricultural products should be further increased.

(2) Because of the need to accommodate the large number of people seeking employment, and the increase in the wage fund. The rate of increase of the wage fund exceeds the rise of the labor productivity and therefore raises the production cost. (3) Because of the huge increase of nonproductive expenses, such as expenses on state administration, national defense, foreign aid and so forth. (4) Because of the excessive increase of accumulation, the over-extended capital construction front and the serious wastes, all of which combine to raise prices. (5) Because of currency fluctuations. If too much Renminbi is put into circulation, prices will rise.

By studying the factors of price changes, we can see that if we want to preserve stable prices, the main way is to increase production, practice economy and, more important still, to raise labor productivity through technical innovation. We can preserve the relative stability of the general price level only by continually raising labor productivity and continually lowering the commodity value before considering the gradual increase of wages along with corresponding increase of accumulations; and by strictly controlling nonproductive expenses so that there can be a balance between the issue of and the need for paper currency for the circulation of commodities.

## FINANCE AND BANKING

### BRIEFS

FINANCE SOCIETY REACTIVATED--Beijing, December 30 (XINHUA)--The Chinese Finance Society has restored its activities following a 14-day meeting by 250 delegates which ended here today. A new council was elected. Chen Xiyu, vice-president of the People's Bank of China, was elected president of the council, and president of the bank, Li Baohua, honorary president. Following a suspension of activities for the past two decades, the society will concentrate on summing up China's financial work in the past, studying the current situation and holding international academic exchanges. The meeting formulated an outline for scientific research in finance for the period 1980-1985. Research items for 1980 include the history of finance, the rural financial market, and reforming the banking system. [Text]  
[OW301616 Beijing XINHUA in English 1552 GMT 30 Dec 79 OW]

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## FUELS AND POWER

### METHOD OF SOLVING ENERGY RESOURCES PROBLEM PROPOSED

Beijing BEIJING RIBAO in Chinese 23 Nov 79 p 3

[Article by Li Gengxin [2621 2577 2450]: "Important Ways To Solve the Present Urgent Problem of Energy Resources"]

[Text] Energy resources is the important material foundation for socialist modernization. We have achieved great success in the development and utilization of energy in the 30 years after the founding of the People's Republic. However, energy resources are still not adequate for industrial and agricultural production and the people's daily needs, and the relationship of fuel and power with other industries is still not balanced. The energy shortage makes it difficult to give full play to the industrial productive power of the country and has frequently caused stoppage, or semi-stoppage of work in many plants. The outcry for a solution to the urgent problem of energy resources has now become universal. But how should it be solved?

#### Present Situation of Our Fuel Resources

Our country abounds in petroleum resources, and this is the basic condition for the development of our petroleum industry. The appearance of our Daqing and other oilfields marks the rapid development of this industry. However, oil reserve is not quite adequate, and the rate of increase of oil output is showing signs of decline. Our oil resources, although rich, and far from adequate for the development of the Four Modernizations and the people's daily needs. Therefore, oil is now still a weak link in our energy resources, and big efforts along with high speed are needed for surveying and prospecting in order that oil extraction can have a firm basis. At the same time, consideration should be given to an economic structure and an energy policy consistent with the energy situation in our country so as to insure a firm material foundation for energy development during modernization.

Our country has also rich coal resources with large deposits of many varieties. However, their geographical distribution is very uneven.



Based on the special features of our resources, we hold that in our present energy structure, coal, oil, gas and electricity should be simultaneously developed with primary attention to coal. At the same time efforts should be also made to develop other energy resources (including geothermal energy, methane, wind force, solar energy, nuclear energy and so forth.)

Our country is also very rich in hydropower resources, but the present utilization rate is still quite low. At present, Japan's hydropower utilization rate is 66 percent; those of West Germany and France are 58 percent and 95 percent respectively; while ours is only 2.7 percent. While actively developing thermopower stations, therefore, we should also promote hydropower generation, particularly by building small and medium-size hydropower stations which have good energy potentials. Besides saving fuel, the utilization of hydropower also helps reduce air pollution, although the initial installation calls for heavier investments than thermopower does. The cost of production for hydropower is much lower, and this advantage should be fully recognized.

#### Present Level of Energy Consumption in Our Country

The level of energy consumption in our country is rather high. In 1977, the total amount of energy consumed in our country (including coal, oil, natural gas and hydropower) was equivalent to 520 million tons of standard coal (each kilogram generating 7,000 large calories) or 730 million tons of ordinary coal, being the fourth highest in the world. The United States and the Soviet Union had higher consumption than ours, and Japan's is slightly higher than ours too. The United State's consumption was 5.33 times; and the Soviet Union's was 3.26 times ours. Compared with ours, Japan's was 102.9 percent; West Germany's, 75 percent; England's 61 percent, and France's, 52 percent--all in 1977. Yet the production levels of these countries are far above ours. In the same year, the total output value in the United States was 11.2 times, in the Soviet Union, 7.5 times; in Japan, 4.2 times; in West Germany, 3.1 times; in England, 1.4 times; and in France, 2.3 times that of ours.

Our consumption of standard fuel for every 100 million U.S. dollars' output value is higher than those of the United States, the Soviet Union, England, Japan, West Germany and France, individually.



COMPARISON OF CONSUMPTION FOR EVERY  
100 MILLION U.S. DOLLARS' OUTPUT VALUE  
1: 10,000 tons

Names	China	USA	Soviet Union	Japan	West Germany	England	France
Consumption of Standard Fuel	31.0	14.8	13.4	7.5	7.55	13.0	7.0
China's Consumption Compared in Percentage	100	209	231	413	410	238	442

Now let us compare our energy consumption with that of Japan on several main products: In 1977, Japan's energy consumption exceeded that of China by only 2.9 percent, but its steel output was more than 102 million tons, being 4.3 times that of China; the number of vehicles produced in Japan was 8.5 million, being 57 times that of China; output of chemical fibers, more than 1.7 million tons, being 9.1 times that of China; and its generated power, more than 460 billion units, being 2.8 times that of China. Although China's economic structure is greatly different from that of Japan, the level of our production, communications and transportation, agricultural machinery, and other daily consumption by people is far below Japan's despite our higher energy consumption. The trend of energy consumption and output of several main products in the United States, the Soviet Union, West Germany, England and France are generally the same as Japan's.

#### The Low Rate of Our Energy Utilization

Our energy utilization rate is only 28-30 percent, while that of Japan is above 50 percent, and those of West European countries are above 40 percent. Every industrially advanced country is quite keen in raising the utilization rate of energy. Particularly after the oil crisis, they have adopted various measures for energy-saving in an attempt to ease the pressure from this crisis.

One of the important methods to raise energy utilization is to reduce one-time use of energy and to increase multiple use of heat energy. Many enterprises in our country have overlooked the multiple and rational use of energy. Those units supplying electricity are only concerned with the electric power generating plants but very rarely with the combination of heat and electricity. Enterprises which are big consumers of energy rarely care about supplying both heat and electricity from their plants. Huge amounts of low steam pressure required for industrial production are generally

supplied by the enterprises with their own boilers, and the high steam pressure generated is not utilized for generating electricity. In 1979, the blast furnaces and coking furnaces of the key iron and steel enterprises in our country dissipated some 8.7 billion cubic meters of gas, equivalent to 1.3 million tons of standard coal, or 1.8 million tons of ordinary coal.

Backward equipment and technology are the main cause of low utilization. The technical process of production used by many of our industrial enterprises are basically that of 1940's or 1950's. Many of these enterprises are still using the kind of boiler capable of producing only 70 or 80 percent of the required heat. The backwardness of equipment and technical process account for not only high energy consumption, but also the inferior quality of products.

Our departments concerned have also adopted measures for energy-saving with some results, but these results are not as we would like. Now, there is still a vast difference between our consumption rate and Japan's. For example:

In 1978, the amount of energy consumed for each ton of steel by our key iron and steel enterprises (according to constant specifications) was 1,400 kilograms of standard coal, while the average Japanese consumption was only 800 kilograms of standard coal or 840 kilograms of ordinary coal. For last year's total steel output of 31.78 million tons, we had to consume 26.7 million tons of coal more than Japan would. Actually, energy consumption by ordinary enterprises is much higher than that of key enterprises.

In 1978, we consumed 420 grams of coal for every unit of electricity generated, while Japan consumed only 333 grams, ours being 26 percent higher. According to computations on this basis, we had to consume 20 million tons of coal more than Japan would.

#### The Main Way To Solve the Problem of Energy Resources

Since our First Five-Year Plan, our total energy consumption has increased year after year at a faster rate than that of the increase of our total annual industrial and agricultural outputs. The coefficient of energy consumption from 1953 to 1978 (that is, the rate of increase of total industrial and agricultural outputs compared with the rate of increase of energy consumption) was 1:1.33.

If from now to 1985, our national economy increases at an average rate of 8 percent and our energy consumption rate increases at an average rate of 10 percent (that is, 1:1.25), then by 1985, our total annual consumption of standard fuel will be up to 1.11 billion tons, being an increase of 540 million tons over that of 1978. This will be equivalent to 750 million tons of ordinary coal, averaging an increase of 100 million tons each year. Even though the annual energy consumption could be reduced to an average of 8 percent each year (that is, changed to 1:1), there will still be an

increase to 970 million tons of standard fuel, being 400 million tons, or 560 million tons of ordinary coal, more than that of 1978. This will work out to an average increase of 80 million tons of ordinary coal each year.

Then is it possible to further increase the ratio of accumulation, or the ratio of investments on energy projects in order to speed up energy generation? This is an important question which cannot be accurately answered or properly handled until after a comprehensive survey and an overall balance.

From 1952 to 1978, out of our total investments on various fronts of the national economy, 59.2 percent was used on industrial departments. Out of our total industrial investments, 32 percent was used on coal, electricity and oil. In 1978, out of our investments on capital construction, 61.3 percent was used by industrial departments, and out of the total investments on industrial departments, 43.8 percent was allocated for coal, electricity and oil, while many projects in agriculture, light and heavy industries, communications and transportation, culture, education and public health, scientific research and urban construction are overdue and require a readjustment of the investment ration. This is a sign of serious imbalances between agriculture, light industry and heavy industry and between accumulation and consumption. From 1950 to 1978, our country already accumulated quite a large circulating fund for investments on capital construction (including financial allocations and bank loans for industrial and commercial undertakings). By 1978, our accumulation rate reached 36.6 percent. Therefore, we cannot further increase our investments on energy resources by dipping into funds intended for other purposes.

Then how will the urgent problem of energy resources be solved? The main course now is to practice economy, and to regard energy-saving as an important strategic measure.

According to the 30 percent rate of our present energy utilization from coal, only 180 million out of 600 million tons actually produce heat. If we can increase the utilization rate to 4 percent so as to approach the rates of West European countries, then out of the same 600 million tons, 240 million tons can actually produce heat. The amount of coal actually producing heat will be increased by 60 million tons. At the present utilization rate [3 percent], these 60 million tons mean the consumption of 200 million tons of coal. This is quite a substantial saving which will have an important impact on our national economy.

We propose that during the readjustment period, we fight a hard battle for energy saving by allocating a certain fund and the required amount of materials to organize a strong technical contingent to carry out some planned and systematic innovations on our equipment with particular attention to the "coal tigers," oil tigers" and "electricity tigers," so as to raise our energy utilization rate. This will certainly yield better economic results than we could with only new construction projects.

## FUEL AND POWER

### GUANGDONG TRADE OFFICIAL ON ENERGY, BUSINESS ISSUES

HK140318 Hong Kong SOUTH CHINA MORNING POST in English 14 Jan 80  
Business Supplement p 1 HK

[Article by Julie Auyeung: "Oil To Flow from Guangdong"]

[Text] Hong Kong may get more petroleum products and other raw materials from Guangdong Province in future, as part of a bilateral effort to expand trade. But this depends on future talks between the two neighbours. This was revealed yesterday by the deputy director of the Foreign Trade Bureau of Guangdong, Mr Li Pei.

"If it is possible, we hope to increase the supply of petroleum products to Hong Kong. But it is a complicated and sensitive matter and it needs to be discussed by the authorities concerned," he said.

Mr Li--leading a delegation of 30 executives from the Guangdong area--arrived in Hong Kong last weekend to organise an export commodities exhibition here. In an interview, he disclosed that foreign businessmen can now apply for multi-entry visas, ranging from 3 months to 6 months, from their home country instead of from Hong Kong.

Mr Li also confirmed that the spring and autumn Canton Trade Fairs will be held as usual, to dispel rumours that these two major fairs will be replaced by minor specialised fairs.

"Guangdong Province is looking for increased economic cooperation with Hong Kong--for example, through joint-ventures, compensation trade, processing and other methods that we find suitable. When we are making our development plans, we always bear in mind the importance of maintaining a healthy economic growth for Hong Kong. Our province has good reserves of natural resources and we will increase the supply of these raw materials to Hong Kong for its industrial use," said Mr Li. He pointed out that mineral products and petrochemical products are needed by Hong Kong's industries.

In turn, increasing their sales to Hong Kong helps to expand Guangdong's overseas market. When asked whether these raw materials would include the supply of petroleum products and coal to Hong Kong, Mr Li said: "This depends on the future situation and related problems. Energy is a sensitive issue."

In his opinion, transport has been the main factor for Hong Kong oil companies' not receiving the full amount of petroleum products from China. "As the refinery in Guangdong Province is improving its production capacity, we hope to increase the supply to Hong Kong, if possible. Hong Kong has various sources of supply of petroleum products and its supply problem is therefore related to many factors. It is not a matter that could be solved by us," he said.

He added it was difficult to comment on the possibility of putting up an oil refinery in Hong Kong or in Guangdong Province. "Before it is proved that there are oil reserves in the South China Sea, the setting up of an oil refinery whether in Hong Kong or in Guangdong, is just empty talk," he said.

However, Mr Li stressed that Hong Kong will continue to be "very important" to the development of Guangdong. Hong Kong's present role in China's modernisation programme "will not be affected" in whatever way. For example, he added, Hong Kong can maintain its reexport function even though Guangdong is going to modernise its ports (numbering about 10 now). "Development in Guangdong is beneficial to Hong Kong. It is true that we will modernise our existing port facilities to cope with the increasing foreign trade, but we won't forsake Hong Kong because of its excellent infrastructure," said Mr Li.

The Guangdong Province Trade Bureau, assisted by the China Advertising Co will be holding a Guangdong export commodities exhibition in Hong Kong from January 26 to February 10. About 1,400 products from the province will be on show.

The bureau cited the following reasons for holding the exhibition: [1] For Hong Kong people to know more comprehensively the production situation in Guangdong Province. [2] For the Guangdong Foreign Trade Bureau to find out the demand from the Hong Kong market. [3] For the bureau to find out how it can promote trade between Hong Kong and Guangdong.

END: 4070

## FUELS AND POWER

### SICHUAN'S HYDROELECTRIC POWERPLANTS FEATURED

OW120837 Beijing XINHUA in English 0743 GMT 12 Jan 80 OW

[Text] Chengdu, January 12 (XINHUA)--The hydroelectric power stations of Sichuan Province in southwest China have a total generating capacity of 1.8 million kilowatts, seven times that of 1969.

Sichuan is situated on the upper reaches of the Yangtze River and the Yellow River. They have more than 1,000 tributaries, most of which have high drops and swift currents. Therefore, Sichuan has abundant water resources. The generating capacity of Sichuan's present hydroelectric power stations accounts for less than 2 percent of Sichuan's water resources that can be used to generate electricity.

In the early days of liberation, Sichuan had only a few small hydroelectric power stations with a total generating capacity of less than 2,000 kilowatts. By 1969 the figure increased to 240,000 kilowatts. While building multi-purpose water conservancy projects and big hydroelectric power stations on major rivers, the state gives loans to counties, communes and production brigades to help build small hydroelectric power stations. Up to now the province has 8,400 small hydroelectric power stations with a total generating capacity of 600,000 kilowatts.

Asa Tibetan Autonomous Prefecture, located on the Qinghai-Tibet plateau, had no power stations at all before liberation. Now it has 630 small hydroelectric power stations. Ninety percent of the prefecture's production brigades have electricity.

Six big and 1,000 small hydroelectric power stations are now under construction in the province.

CSO: 4020



## FUELS AND POWER

### VARIOUS PROVINCES OBTAIN HYDROELECTRIC POWER STATIONS

OW101242 Beijing XINHUA in English 1226 GMT 10 Jan 80 OW

[Text] Beijing, January 10 (XINHUA)--The last 100,000-kilowatt generating unit of a major hydroelectric power station in central China's Hunan Province has now gone into operation. Built on the upper reaches of the Yuan-shui River, the Fengtan hydroelectric power station has four such generating units. The other three began supplying power in 1978. All three generating units, each with a 35,000-kilowatt capacity, have been installed at a hydroelectric power station on the Maotiao River in southwest China's Guizhou Province. Two of them have begun operation.

Six such power stations with a total generating capacity of 242,000 kilowatts have been built on 180-kilometre long river which has swift currents and 500-metre cataract drops. The other five were completed before 1974. The fifth is the biggest.

In east China's Zhejiang Province, two 42,500-kilowatt generating units of a high waterhead intake hydroelectric power station, put up on the middle reaches of the Wuxi River, have started supplying power to the locality. Two more units with the same capacity are to be installed at the Wuxijiang Hydroelectric power station.

A hydroelectric power station with four 20,000-kilowatt generating units has gone up on Hainan Island in China's southernmost province of Guangdong. Two of the four generating units have gone into operation.

Built on the upper reaches of the Waiquan River in Qionghai County, the station will produce 280 million kilowatt hours annually, equal to the present annual consumption of the island.

A power grid is to be put up in the eastern part of the island where fast-growing industry and agriculture require more power.

CSO: 4020



## FUELS AND POWER

### BRIEFS

NEW POWER STATIONS--Beijing, January 11 (XINHUA)--China set up 7,214 small hydroelectric power stations with a total generating capacity of 1,070,000 kilowatts last year. The newly added capacity was 15 percent more than that increased in 1978. Up to now, China has almost 90,000 small hydroelectric stations with a total generating capacity of 6,330,000 kilowatts. Each station has a set of generators with a total capacity under 12,000 kilowatts or a single generator with a capacity under 6,000 kilowatts. Their annual power output is 11,600,000,000 kilowatt-hours. At present, 1,500 counties, about three-fourths of the country's total, have small hydroelectric power stations which supply the countryside with cheap energy. Six hundred counties have the supply of electricity for industrial production and rural use mainly from small power stations. [Text] [OW110820 Beijing XINHUA in English 0735 GMT 11 Jan 80 OW]

NATURAL GAS, PETROLEUM IN TARIM BASIN--Beijing, January 12 (XINHUA)--Hundreds of tons of petroleum and nearly a million cubic metres of natural gas are being tapped daily from each of the three wells drilled at the Tarim Basin in southern Xinjiang (Sinkiang), according to the Chinese Ministry of the Petroleum Industry. The first of these wells was drilled in 1977 and the two others in January and November of last year. Such high-yield wells with high underground pressure and stable output are rare in China, petroleum experts said. The Tarim Basin, believed to be China's biggest sedimentary rock basin, covers a sparsely populated area of 560,000 square kilometres. Geological surveys and prospecting have been carried out there for many years to determine the size of the basin's reserves. Dozens of specialists in geology, geophysics and petroleum met in Beijing recently to discuss the oil potential of Tarim. In view of the good prospects, they suggested that the government intensify overall prospecting work. [Text] [OW120330 Beijing XINHUA in English 0313 GMT 12 Jan 80 OW]

CSO: 4020

## HEAVY INDUSTRY

### SHANGHAI STEEL WORKS 1 YEAR BEHIND SCHEDULE

OW101215 Tokyo KYODO in English 1159 GMT 10 Jan 80 OW

[Text] Tokyo Jan 10 KYODO--China's first modern integrated steel-works, being built with Japanese aid at Baoshan in the suburbs of Shanghai, is considered likely to start operation in the summer of 1982--close to a year behind schedule. Nippon Steel Corp. (NSC), which has agreed to provide the main help to build the works, said Thursday the delay was caused by the readjustment of China's modernization policies and other factors.

An NSC spokesman said the company had contracted by last month with the China National Technical Import Corp. to furnish yen 300 billion (about \$1.3 billion) worth of steelworks equipment in the first phase of the steel-works construction project. He said the Chinese corporation would probably place provisional orders for other first-phase equipment with Japanese heavy industry companies by the end of this month.

He said NSC is taking that occasion to send Makoto Okaki, executive vice president, to Beijing next Wednesday for talks on the time to start the operation of the first blast furnace and related equipment. The executive is also expected to discuss with the Chinese the scheduling of construction work on the mill, the spokesman said. He estimated that the steelworks would probably go into operation in July-August of 1982, compared with the initial target of October 1981.

When first-phase construction is completed, the works will have an annual steelmaking capacity of 3 million metric tons. It will have one of the world's largest blast furnaces with annual pig iron production capacity of about 3 million tons, and with an inner volume of 4,000 cubic meters, a basic oxygen furnace (to produce crude steel from pig iron and scraps), and a semifinished-steel mill and a coking plant. Such equipment has already been ordered from Nippon Steel Corp. The works will also have a sintering plant, an oxygen plant, an unloader and other facilities, which are being ordered by the Chinese from Japanese plant builders.

CSO: 4020

## DOMESTIC TRADE

### BRIEFS

SHANGHAI UNDERGROUND ESTABLISHMENTS--The People's Air Defense Office of the Huangpu District, Shanghai, actively supports and assists the catering service trade by remodeling and renovating some air defense fortifications for use as underground restaurants in the downtown business center. It also assists departments concerned to run underground hotels, plant and art galleries so that these air defense fortifications are used both in peacetime and wartime to serve the people. [Shanghai City Service in Mandarin 1130 GMT 27 Nov 79 OW]

CSO: 4006

## FOREIGN TRADE

### NAVIGATION SERVICE BETWEEN XIAMEN, HONG KONG BEGINS

#### Fujian Investment Company President Interview

HK011048 Hong Kong TA KUNG PAO in Chinese 30 Dec 79 p 1 HK

["Long-distance call from TA KUNG PAO reporters Hong Wenbing and Peng Shaoliang in Xiamen on 29 December"]

[Text] In his interview with this paper's reporters, Fujian Investment Enterprise Company President Zhang Yi noted: Fujian Province, which has been assigned by the central authorities to set up special economic zones, is now ready to energetically develop marine, land and air communications and transportation and improve communication equipment. It is estimated that the project to build Dongdu port, a new port in Xiamen, will be completed in 1982. The port can then be used simultaneously to berth 12 ships [as published], each with a tonnage ranging from 10,000 to 50,000 tons. The port can then also handle up to 12 million tons of cargo a day [as published].

Zhang Yi said: The opening of the sea navigation service performed by the passenger ship "Gulang Islet" has put an end to Fujian Province's isolated position vis-a-vis overseas areas and will be advantageous to promoting the province's external economic activities. He disclosed that in addition to purchasing the passenger ship "Gulang Islet," the province has also purchased six cargo ships to strengthen communications and transportation.

Referring to Xiamen's construction plans, Zhang Yi said that the plans contain the following three parts: 1) Xinglin, which is in the north of Dongdu port, will be turned into an industrial district. Factories to be built there include cement plants, glass factories and power plants. 2) Gulang Islet will be turned into a tourist district. Hotels and public places for entertainment will be established in the district. Private cars and bicycles will not be allowed to enter the district. Tourists can enjoy the beautiful seaside scene in this quiet district. 3) Xiamen Municipality will be turned into a commercial district.

He added: Since this year, Fujian Province has engaged in 180 projects dealing with the processing of imported materials including electronic products, television sets, radio-recorders, magnetic tapes and ready-made clothes. The processing projects cost over \$20 million. However, Zhang Yi regarded the above-mentioned projects as insufficient and short of the province's ideal. He said that it is imperative to make a great breakthrough in the future.

The 60-member Fujian provincial delegation for the inaugural sea navigation service led by Zhang Yi will arrive in Hong Kong aboard the passenger ship "Gulang Islet" on 2 January. During its stay in Hong Kong, the delegation will make a series of visits. Zhang Yi hopes that through the forthcoming visit to Hong Kong, the delegation will be able to introduce to concerned Hong Kong parties the province's plans for developing industrial and agricultural undertakings. He also hoped that by making visits in Hong Kong, delegation members will increase their knowledge of Hong Kong and strengthen the friendship between the two places for the benefit of increasing the economic, technological and cultural exchanges between the two places in the future. He said in conclusion that he welcomes Hong Kong and Macao businessmen to participate in the province's investments on tourism and other projects.

#### Maiden Voyage Ceremony

HK030804 Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 2 Jan 80 HK

[Summary] On 1 January 1980, the Fujian provincial and Xiamen municipal people's governments held a maiden voyage ceremony at Heping wharf, Xiamen port to celebrate the formal navigation service of the passenger ship "Gulangyu" between Xiamen and Hong Kong.

Those attending the ceremony were Wu Hongxiang and Zhang Yi, deputy provincial governors; (Lu Shihan) and (Wu Jinfeng), leading comrades of Xiamen Municipality; and all members of the provincial delegation to Hong Kong. Fifty-six personalities of various circles in Hong Kong and Macao were specially invited to take part in the ceremony.

Wu Hongxiang, secretary of the provincial CCP committee, deputy provincial governor and chairman of the provincial CPPCC committee, cut the ribbon.

CSO: 4006

ZHUHAI MAYOR WELCOMES TAIWAN INVESTORS

Hong Kong HSIN WAN PAO in Chinese 4 Dec 79 p 1

[Article: "Zhuhai mayor Gan Weiguang [3927 0251 0342] Welcomes Taiwan Investors to Build Plants: He Will Provide Conveniences to All Joint Owners. More than 20 Plants Have Been Built in Cooperation with Foreign Investors"]

[Text] Recently, Gan Weiguang, mayor of Zhuhai Municipality, Guangdong Province, in receiving a group of businessmen and industrialists from Hong Kong and Macao declared: "Zhuhai welcomes not only investors from Hong Kong and Macao, overseas Chinese and foreigners to build plants, but also welcomes investors from Taiwan. According to 'PRC Law on Joint Ventures,' we will assist joint owners in every way we can."

Zhuhai municipality is situated at the estuary of the Pearl River. It is connected with Macao both by land and by sea and also with Hong Kong by sea. Every year, large quantities of vegetables, foodstuffs, aquatic products, special local products and mineral products are exported to Macao, Hong Kong and Southeast Asia through Zhuhai municipality which has become a major port for export in Southern China.

In order to fully exploit the advantageous geographic location of Zhuhai and to transform it into a base for international trade, the State Council approved the elevation of Zhuhai from a district to a municipality directly controlled by the provincial government, and supported the development of Zhuhai with manpower, material and financial resources. Zhuhai municipality, since its creation, has adopted various ways of conducting trade through processing imported materials, compensatory trade, and joint management. In cooperation with foreign investors, it operates more than 20 plants which manufacture garments, woolen products, woolen knits, gloves and handbags, etc. There are still more than 10 projects, such as the construction of hotels, resort villas, piers and power plants, etc., in the process of negotiation. Mayor Gan said that Zhuhai municipality will develop into a scenic tourist area, a base for overseas trade and a new type of border city. A multitude of enterprises await development and much more work needs to be done. There is a bright future for joint ventures. "We sincerely welcome overseas Chinese, people from Hong Kong and Macao, and from Taiwan to make contributions to the grand scheme of national construction."

## FOREIGN TRADE

HONG KONG PAPER SAYS FUJIAN TO SELL BONDS IN HONG KONG

HK010237 Hong Kong SOUTH CHINA MORNING POST in English 1 Jan 80 p 1 HK

[Article by Peter Loke]

[Text] The Chinese Government has given its approval to the state-owned Fujian Investment Enterprises Company to float a multi-million RMB bond issue in Hong Kong.

The Bank of China will be the agents for the sales of this bond issue set at units of RMB500, RMB5,000, and RMB50,000.

An official of the Bank of China contacted yesterday declined to comment until full details have been obtained.

But it is expected that the bonds will become available on the market by early spring.

The first news of the issue was reported in a dispatch from a reporter of Hong Kong WEN WEI PO, over the weekend.

The report stated that the Standing Committee of the National People's Congress and the State Council have given approval.

This will be the first Chinese bond issue put on the market in Hong Kong since the Cultural Revolution.

The terms of the bond issue are for eight, 10 and 12 years and the rates of interest at six, seven and eight per cent respectively.

For Hong Kong buyers, the bonds will be sold at the current rates of exchange for RMB on the day of sale.

Interest payments will be paid in January of each year, and can be collected by overseas buyers at Hong Kong's Bank of China's offices.



A number of brokers contacted yesterday were enthusiastic at the proposed bonds offer:

"The uncertainties of the Hong Kong dollar value over the past two years will certainly make this bond issue attractive.

"It is almost certain with the success of China's current modernization, the RMB will rise in value against both Hong Kong and other world currencies.

"This will definitely attract long-term investors even though the interest rates are lower than current short-term fixed deposits."

The bonds put on sale will be of two types--one with names of the holders registered to prevent any losses and the other without any registered name which meant they could be transferable.

All the bonds are tax-free and are fully guaranteed by the provincial government of Fujian.

CSO: 4006

## FOREIGN TRADE

### HOTELS IN SHANGHAI RECENTLY OPENED TO TOURISTS

Shanghai JIEFANG RIBAO in Chinese 12 Nov 79 p 2

[Article: "In Order to Meet the Needs of Tourism, Some Hotels Formerly with Limited Access Are Now Open to Tourists"]

[Text] A number of hotels with limited access have recently been opened to accommodate the ever-increasing number of tourists from foreign countries, overseas Chinese, and people from Hong Kong and Macao visiting Shanghai. The Maoming Hotel, located across the street from the Jinjiang Hotel is one of the hotels which boasts the largest gardens in the city. There are trees like camphor-laurels, olive trees, evergreens, palm trees, orange trees, and others, beautiful turf and lots of flowers. The gardens are also decorated with gazebos, fountains and grapevines, creating a scenic environment in good taste. Included in the facilities are small- and medium-size conference halls for receiving and entertaining distinguished visitors and holding conferences. In the past, Chairman Mao and Premier Zhou used the facilities to hold meetings and receive visitors. Since it opened to the public in April this year, friends from foreign countries have conducted more than 300 trade negotiations and technological and scholarly exchanges with more than 16,000 participants. The newly added rooms in the hotel were used to receive close to 1,000 overseas Chinese and people from Hong Kong and Macao in the busy tourist month of October.

The Ruijin and the Hongqiao, hotels which previously received state visitors, have also been open to serve tourists. Many foreign visitors and overseas Chinese expressed satisfaction at the opening of deluxe hotels to serve tourists. They are also pleased at the reasonable rates and personal service.

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CSO: 4006

## FOREIGN TRADE

### SHANGHAI SHOE EXPORT TRADE EXPANDING

Shanghai JIEFANG RIBAO in Chinese 13 Nov 79 p 2

[Article: "Leather-goods Company and the Branch Office of Animal Product Import-Export Company Strengthen Cooperation between Industry and Trade and Work towards Expansion and Growth of Shoe Trade. Production This Year Has Increased by 63 Percent over the Same Period Last Year, Reaching the Highest Level in More than 10 Years"]

[Text] The Shanghai Leather-goods Company and a branch office of the Shanghai Animal Product Import-Export Company strengthened cooperation between industry and trade. Breaking down rigid restrictions, they are determined to make the shoe trade expand and grow by jointly negotiating terms, jointly planning production and sending joint delegations to visit foreign countries. As of 15 October, they finished, before schedule, the shoe production plan of the year. With one stroke they improved a situation where the plans had gone unfulfilled the 6 previous years. Production also increased by 63 percent from the same period last year, reaching the highest level in more than 10 years.

The shoes made for export by the shoe manufacturers of this city have always been favorably received in the international market because of the meticulous craftsmanship, well-chosen material and new style; they stand up well to the competition even with a price tag 20 percent higher than average, and are sold in more than 50 countries. But in the past, the shoe exporting trade suffered severely because of bad coordination between industry and trade, complicated by numerous restrictions. Through 1978, the production plan for exporting shoes had not been fulfilled for 6 years. This year, however, the CCP committee in the leather-goods company, imbued with the spirit of the Third Plenary Session of the 11th Party Central Committee, integrated the experience and lessons learned from producing shoes for export and closely cooperated with the branch office of the Shanghai Animal Product Import-Export Company. Freeing themselves from cumbersome restrictions, they managed the production with some flexibility and improved the production of shoes for export.

First, the two companies jointly negotiated terms with foreign buyers, thus breaking down the restriction which prohibited the manufacturing plants from negotiating with foreign buyers, receiving foreign buyers, and directly reproducing samples. In the past, ordering merchandise and signing contracts with foreign buyers were done exclusively by the foreign trade department. If the foreign buyer desired to make any changes in style, variety or material, the proposal had to be forwarded through various offices. It thus took more time and caused more trouble. Many potential deals failed to materialize because of the length of time involved. Now an export affairs group has been established both in the company and in the plant and together with the branch office of animal product company negotiates face-to-face with foreign buyers. The deal is concluded on the spot, requiring little time and ensuring flexibility. For example, in June this year, an American buyer went to the Baoji Shoe Company to negotiate a business deal. The company modified the design according to his specification. Being satisfied, he signed a contract ordering 48,000 pairs of women's shoes and paid a deposit of \$30,000.

Most of the factories of the shoe industry are the so-called "alley-shops." According to past regulations, they were not allowed to receive foreign buyers. From this year on, however, any factories making shoes for export can receive foreign buyers, thus opening a wide avenue for export trade. In September, an Australian buyer, after visiting four or five shoemaking shops, acquired a comprehensive understanding of the shoe manufacturing trade in Shanghai. He ordered 250,000 pairs of women's shoes in a single deal.

During business negotiations, foreign buyers often require plants to produce samples so as to examine the product before the deal. In the past, reproducing samples involved many offices including the export department, the leather-goods company, and the manufacturing plants, requiring an inordinate amount of time. Now the sample from the foreign buyer is directly given to the plant with specifications. Sometimes it takes only a day to reproduce the sample. New designs, new products and new styles are all on display in the plant; foreign buyers can look at the samples and make their choice. At the same time, shoe designers and technical personnel can participate in the reception of foreign buyers and gain an understanding of their manners and what they wear. The contacts can also inspire them to integrate features of foreign arts and crafts with our own national traditions, inspire their creativity and add breadth to their designs.

Furthermore, both the manufacturing and sales departments can jointly arrange production according to the specifications of foreign buyers. The leather-goods company can arrange production according to the production level, special skills and production capacity of each plant. The export department controls shipping schedules, arranges export procedures, ensures deliveries, and fulfills contracts on time. In the past, the manufacturing and export sections were disjointed. Many

problems were not understood by the plants, especially in adhering to contracts. The rate at which they fulfilled contracts was poor. Now the plants, in receiving foreign buyers, came to realize the importance of abiding by the contract and keeping one's promise. They exert themselves to complete the assignment ahead of schedule. The leather-goods company has also put into practice a new way of rewarding workers who overfulfill their quota of shoes for export, so as to encourage workers to produce more shoes for export, and to earn more foreign exchange for the Four Modernizations. At the same time, the manufacturing and export departments support each other to improve production. For instance, if today there is a shortage of lamb skins or cow hides, the foreign trade unit, based on the conditions of the international market, actively begins importing materials and assists plants to solve one of the problems concerning raw materials.

In addition, this year the leather-goods company and the branch office of the animal products company also formed a "small group to examine shoes made in Shanghai." They visited American leather tanning plants, shoe manufacturing plants, leather machinery plants, and participated in the American semi-annual shoes exhibition and promotion fair. Together they studied the newest trends in the international shoe market. They saw by themselves that shoes are important exports. The United States alone imports 300 million pairs of shoes a year. Hong Kong exports 5 million pairs of shoes a year. In comparison, the export of shoes from Shanghai lags far behind. The leather-goods company and the branch office of animal products company have held numerous discussions on improving plant production and foreign trade in order to expand exports, to increase trade, and achieve more flexibility. Having completed the production plan ahead of schedule, they are now actively planning to increase production to export more shoes this year and to earn more foreign exchange for the Four Modernizations.

## FOREIGN TRADE

### GUANGZHOU CIRCULAR BANS PRIVATE TRADING IN IMPORTED GOODS

HK241101 Guangzhou City Service in Cantonese 0430 GMT 21 Dec 79 HK

[Text] The Guangzhou Customs of the PRC, Guangzhou Municipal Industry and Commerce Administration Bureau and Guangzhou Municipal Public Security Bureau recently issued a joint circular on strictly forbidding private trading in imported goods.

The joint circular pointed out: A small number of people have recently engaged in private trading in imported goods, going against the relevant customs regulations. Some people have seized the opportunity to engage in speculative buying and selling and have imported articles over long distances to reap sudden and huge profits. Some units and individuals have deliberately violated regulations and bought imported articles from black markets. In doing so, they have created a bad influence. To strengthen market management and deal blows at profiteering activities, regulations were laid down as follows in accordance with the spirit of the provincial revolutionary committee's circular on strengthening the control of imported goods and the Guangzhou Municipal Revolutionary Committee's notice on straightening out public order.

1. The imported articles carried in or sent in by mail by Overseas Chinese or Hong Kong and Macao compatriots, whether they are old or new, should be limited to only individual or family use or as gifts for friends and relatives. Those which must be sold should be handed over to the designated state commercial departments for procurement. It is strictly forbidden in selling them in street stalls or the black markets. The violators will have provisional business tax of 10 or 100 percent levied on them according to the seriousness of the offense or will be handled in other ways.

2. Apart from the designated state commercial procurement units, no units or individuals are allowed to procure, put on sale or do business in imported articles carried in or sent in by mail by Overseas Chinese, Hong Kong and Macao compatriots. All organs, groups, PLA units, plants, mines, schools and enterprise and trade units and all collective ownership units, including the business organs of other provinces

stationed in Guangzhou, are strictly forbidden to directly buy imported goods from Overseas Chinese, Hong Kong and Macao compatriots or their families and relatives. Apart from confiscating the articles of the units, leaders or responsible people concerned who violate the regulations, we must punish them or take disciplinary measures against them according to the seriousness of the offense. We must resolutely stop and strictly punish the units which illegally have a hand in doing business of procuring and selling imported articles carried in or sent in by mail by Overseas Chinese and Hong Kong and Macao compatriots.

3. Those profiteering people who engage in speculative buying or selling, and peddling goods over long distances and those Overseas Chinese and Hong Kong and Macao compatriots who import articles into China by carrying or mailing them with the aim of making a profit must be punished according to the seriousness of the offense whenever they are discovered.

4. The market management personnel and public security cadres and policemen should dissuade people from other provinces and municipalities and people in Guangzhou from buying imported articles from black markets or engaging in private trading even though they are compelled by their disadvantageous conditions to do so. The imported articles should be brought to be procured by the designated state commercial procurement departments. People who refuse to accept advice or accept control and even willfully create trouble, fling abuses and beat up executive personnel, must be dealt with in accordance with the public security control punishment regulations of the PRC.

5. Informants must be protected and commended. People who perform meritorious achievements by reporting those who engage in speculative buying and selling, profiteering activities and smuggling and peddling imported articles, should be commended and rewarded.

The joint circular demanded that all cadres, staff and workers and people strictly observe these regulations.

CSO: 4006



## FOREIGN TRADE

### GUANGDONG LAYS DOWN REGULATIONS ON SPECIAL ZONES

HK270159 Hong Kong WEN WEI PO in Chinese 26 Dec 79 p 1 HK

[25 December telephone dispatch from Guangzhou: "Drawing Up Regulations on Shenzhen and Zhuhai Special Zones"]

[Text] From next year onward, Guangdong will practice a special policy and flexible measures in its foreign economic activities. One of the main contents of this is to open up special zones. In the past few days, the representatives present at the provincial people's congress have held lively discussion on "The Draft Trial Regulations on Setting Up Special Economic Zones in Guangdong" and gave a number of opinions in the hope that the draft regulations will be perfected and promulgated for implementation at an early date.

The regulations are divided into six chapters: general rules, registration and management, preferential treatment methods, labor wages, organizational management, and an appendix, in which there are altogether 30 articles which lay down clear regulations on the two questions that Chinese and foreign traders are generally concerned about: the time limit for using the special zones and the profit tax.

As understood, appropriate areas will be designated as special zones within the two municipalities of Shenzhen and Zhuhai, mainly for the establishment of light and chemical industry, electronic industry, instrument and meter industry, electrical and mechanical industry and other processing industries. Since districts for science and technology research will be established and residential housing providing good living and working environment for the scientists, investors, senior technicians, Overseas Chinese and compatriots from Hong Kong and Macao will be constructed inside the special zones, in addition to the development of export processing industries, the export special zones are now [?called] special economic zones. General preferential conditions common to processing and export districts all over the world are already laid down accordingly in the draft regulations.

This draft has absorbed some experience from past foreign economic activities. It avoids leadership by numerous heads and numerous layers, and proposes establishment of a flexible, highly concentrated and authoritative system of management. Special development companies will be established in the special zones, and the board of directors will prepare overall plans for construction and organization of production and exports and will lay down methods on practicing the relevant rules and regulations. The board of directors will receive the participation of industrialists and businessmen of Hong Kong and Macao and persons who are enthusiastic for the modernization of China. In addition, special administration and management committees will be established to manage every item of public affairs.

After consideration at this session, the regulations will be submitted for approval by the Standing Committee of the provincial people's congress, which will submit a joint report with the provincial people's government to apply for approval for implementation from the NPC Standing Committee and State Council.

CSO: 4006

## FOREIGN TRADE

### OLD SHIP EARNS NEW PROFITS

Shanghai JIEFANG RIBAO in Chinese 18 Nov 79 p 2

[Article: "Old Ship Hungmao Earns New Profits: in Every Way Possible to Increase Shipping and to Earn Foreign Exchange for the State"]

[Text] S. S. Hungmao of the Shanghai Ocean Transport Company, since it began plying the seas in September last year, has earned more than 7 million yuan in foreign exchange. It amounts to one and one half the capital for purchasing the ship. On the average, each crew member succeeded in earning 167,000 yuan in foreign exchange for the state.

S. S. Hungmao is an ocean freighter with a capacity of 18,000 tons. It was purchased abroad last year for more than 4 million yuan. This is an old ship; its relatively old equipment and lack of proper maintenance in the past lends itself to malfunctions. In order to ensure normal shipping, maximum loading and fast transport, mechanics practiced so-called "adding a stitch in time;" they used the loading and unloading period to perform the maintenance task of checking machinery and equipment. On its third voyage, while the ship was loading cargo at Fukuyama, Japan, the engine crew voluntarily gave up shore leave. Instead they worked on the two boilers and other machinery for 2 days and thus guaranteed a smooth journey. During another voyage, while the ship was loading cargo in Kudamatsu, Japan, number 2 Cling pulley was worn out. The crew immediately called a "wise-men's council" to apply collective intelligence to solve the problem and organized a repair task force. It took only half a day to complete the repairs. Because of the hard work of the crew, the routine repair schedule was extended from one season to four seasons. Thus, they shipped more cargo and increased the amount of foreign exchange collected.

On the fourth voyage of this year, while the ship was unloading cargo in Shanghai, everyone performed his work efficiently, unloading and cleaning at the same time. The deck crew was shorthanded and the old chief engineer pitched in with the cabin crew. In the end, when the ship was unloaded and cleaned, it was ready to set out again. It thus changed the usual practice of spending several hours on preparatory work before it was ready to set out again, resulting in a shortened schedule and increased

revenue. Comrades from the service department efficiently made the logistic arrangements. The supply of foodstuffs and vegetables for each voyage was planned in advance in coordination with the supplying agencies. They made sure that the supply was ready on time so as to ensure the ship's punctual departure. The crew deeply understood that time is money; every minute and every second count and worked harder and harder to make more contributions to the state.

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## FOREIGN TRADE

### BRIEFS

**GUANGZHOU FOREIGN CURRENCY SAVINGS**--The branch office of the Bank of China recently began savings accounts for foreign currency in order to provide a service for the Overseas Chinese, and compatriots from Hong Kong and Macao when they return to the country to visit their relatives and so forth. A spokesman of the branch bank in Guangzhou revealed that all such people from abroad are allowed to open up foreign currency saving accounts, which include fixed deposits. The annual interest ranges from 8.5 percent to 11.5 percent. The other branch banks in Guangdong will also begin such business gradually. [HK030829 Guangzhou City Service in Mandarin 0430 GMT 13 Dec 79 HK]

**HUNAN FOREIGN TRADE**--Since the beginning of this year, Hunan's foreign trade departments have invited some 200 foreign businessmen to visit Hunan to hold trade talks. The foreign businessmen came from 11 countries and areas including the United States, Britain, France, Japan, West Germany, Norway, Sweden, Australia, Lebanon, Singapore, Hong Kong and Macao. Through the trade talks they have established direct contacts with production and marketing units and increased the number of export transactions. This year Hunan has prefulfilled both the annual procurement and export plans for foreign trade 50 days ahead of schedule. [Text] [Changsha Hunan Provincial Service in Mandarin 2315 GMT 2 Dec 79 HK]

**JIANGSU FOREIGN AFFAIRS**--From 3 to 8 December the Jiangsu Provincial Foreign Affairs Office called a provincewide meeting in Nanjing to discuss ways of improving services for foreign engineers and technicians who are working in various localities in the province on imported equipment. At the meeting, the representatives of the Nanjing Qixiashan Chemical Fertilizer Plant, the Nanjing Iron and Steel Plant, the Nanjing Turbo-electric Generator Plant and the Nanjing Chemical Engineering Company introduced their experiences in dealing with foreign engineers and technicians. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 18 Dec 79 OW]

**GUANGDONG PREFECTURE INDUSTRY**--By the end of October, the factories in Foshan Prefecture had signed 403 contracts with foreign businessmen and 300 items have already been put into production. These factories

have also imported 10,000 sets of equipment. The total amount derived from processing work has exceeded U.S.\$100 million. [Guangzhou Guangdong Provincial Service in Mandarin 1130 GMT 3 Dec 79 HK]

JAPANESE INDUSTRIAL GROUP--Tokyo, 17 Dec--A five-member mission of the Japanese ammonium chloride industry will visit Beijing Thursday to discuss export volume of ammonium chloride during next January-June. The mission is headed by Tsuyoshi Hioki, executive director of Japan Union Fertilizer Co, and also represents Central Glass Co, Toyo Soda Mfg Co and Nichimen Co. Japan exported 115,000 tons of ammonium chloride to China during the January-June period this year and 143,000 tons during the July-December period. [Text] [OW181431 Tokyo KYODO in English 0326 GMT 17 Dec 79 OW]

TOURIST HOTEL CONSTRUCTION--Beijing, 24 Dec (XINHUA)--Tourist hotels are being built in more than 20 cities throughout China. The cities include picturesque Kunming, Guilin, Hangzhou and the major cities of Beijing, Shanghai, Chongqing and Harbin. Work on the hotels began in 1978 and most of them are expected to be completed in 1981, but the Heping (Peace) Hotel in Nanning, capital of the Guangxi Zhuang Autonomous Region, now being air conditioned, will provide part service as early as next February. All of the hotels can accommodate 500 tourists or more. The highest is the 90-metre-high Shanghai Hotel which has 25 storeys. Like the Zongshan Hotel in Nanjing and the tourist hotel for Overseas Chinese in Beijing, it can accommodate more than 1,000 people. China is using foreign investment to build a number of tourist hotels in Guangzhou, Nanjing and other cities. They will have restaurants, shops and barber-shops, and some will also have theatres, cinemas, swimming pools, and lounges. Still more tourist hotels are being planned in other provinces and cities. [Text] [OW241214 Beijing XINHUA in English 1201 GMT 24 Dec 79 OW]

PAVILION AT INDIAN TRADE FAIR--Beijing, 9 Dec (XINHUA)--China was granted with the first prize at the First India International Trade Fair held in New Delhi from November 10 to December 9 and attended by 21 countries, according to a report from New Delhi. More than 1.5 million people visited the Chinese pavilion. Many Indian visitors expressed brotherly feelings for the Chinese people and hoped that there would be more and more friendly intercourse between the two countries. During the fair, Wang Yaoting, president of the China Council for the Promotion of International Trade, visited India and met many trade officials and businessmen. He said that there was ample scope for business between China and India. [Text] [OW092120 Beijing XINHUA in English 2101 GMT 9 Dec 79 OW]

RICE STATION TO MADAGASCAR--Tananarive, 17 Dec (XINHUA)--Documents for handing over the Chinese-aided Laniera experimental rice and vegetable station were signed here today. The station was set up in 1976 under the economic and technical accord concluded between China and



Madagascar with the aim to transfer rice-growing technique to the Malagasy and breed vegetable seeds. At the ceremony, on behalf of President Didier Ratsiraka, Simon Pierre, minister of rural development and agrarian reform, conferred decorations on the leader and members of the Chinese agricultural group. The minister said that the ceremony is a symbol of cooperation and friendship between the two countries and expressed the hope that the improved seeds will help increase the country's rice and vegetable production. In one year and more, 20 technicians have been trained at the station through short-term courses. [Text] [OW181754 Beijing XINHUA in English 1624 GMT 18 Dec 79 OW]

SHANGHAI SETS RECORD FOR EXPORTS--Shanghai, 28 Dec (XINHUA)--China's biggest port city of Shanghai is setting a new export record with an expected increase of 24 percent in value over 1978. Expanded trade links and more customers account for the upward climb. The city trades with 150 countries and regions. Big increases have been registered in exports of textiles and other consumer goods, art and handicraft articles, farm produce, animal by-products, machinery, chemicals, medicine and meters and instruments. A growing number of electronic products is being exported. [Text] [OW280850 Beijing XINHUA in English 0754 GMT 28 Dec 79 OW]

SHANGHAI FOREIGN TRADE CORPORATION--Shanghai, 28 Dec (XINHUA)--Shanghai, China's leading industrial city and an important import-export centre, today set up a General Foreign Trade Corporation to handle local foreign trade and some export business for other provinces and cities. Under the general corporation there are 15 import and export branch corporations for cereals and oils, foodstuffs, native produce, animal by-products, tea, textiles, silks, garments, light industrial products, arts and crafts, chemicals, machinery, equipment, metals and minerals. All these corporations may negotiate directly with foreign firms and enterprises, and sign contracts with them. The general corporation will also take charge of imports for domestic enterprises. It will arrange sales, exhibitions and commission sales for foreign firms as well as maintenance of machinery and electronic equipment for these firms. [Text] [OW280852 Beijing XINHUA in English 0758 GMT 28 Dec 79 OW]

COMPENSATORY TRADE AGREEMENT--The Shanghai Knitting Mill No 11 signed a compensatory trade agreement with the Japanese Cotton Company of Japan in March 1979. It was agreed that the Japanese Cotton Company will provide the Shanghai Knitting Mill No 11 with advanced equipment for producing 200,000 dozen sets of white underwear a year. Since June, the knitting mill has accumulated foreign exchange equivalent to 350,000 yuan for the state. Several months of practice shows that compensatory trade has many

advantages. First, the method of paying the cost of advanced equipment from foreign countries is consistent with our country's present ability of payment in foreign exchange. The advanced equipment provided under this agreement by the Japanese Cotton Company is worth more than 500,000 yuan, RMB. The equipment will be paid with the profit earned from increased product not within the regular plan. The equipment will belong to the Shanghai Knitting Mill 1 year after the equipment is put to use. The second advantage is that the agreement creates more foreign exchange for the country. The agreement opened a market for medium and high quality products. The foreign exchange earning ability per dozen of the product is 2-3 times higher as compared with that in the last few years. The third advantage is that the compensatory trade is favorable to the early realization of the Four Modernizations program. The high standard of technical requirements for advanced equipment introduced from foreign countries not only upgrades the management standard of enterprises and the operational level of the workers, but also creates conditions favorable to the adoption of new technology and new equipment. [Text] [Shanghai WEN HUI BAO in Chinese 9 Nov 79 p 1] 1004

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## TRANSPORTATION

### BRIEFS

SICHUAN CHANGJIANG BRIDGE--Chongqing, Jan 5--The first highway bridge across the upper reaches of the Yangtze River [Chiangjiang] near Chongqing took a step nearer completion last month with the erection of its final support. This seventh and last support pier is the highest of its type--T-rigid frame--ever built in China. It is over 60 meters high with a span of 174 meters, under which will run the river's main navigation channel. Now all that remains is to throw the bridge itself across the supports. Project engineers estimate the one-kilometer-long bridge could be ready to take traffic by July this year. Begun during the low-water season of 1977, the Chongqing highway bridge will make a big difference to communications in China's "junction province" of Sichuan. Though a railway bridge was put up across the Yangtze near Chongqing after the establishment of the people's republic in 1949, road transport is still dependent on the ferry, which is frequently halted by fog and dangerously high water levels. [Text] [OW051447 Beijing XINHUA in English 1211 GMT 5 Jan 80 OW]

YANTAI HARBOR BERTHS--Jinan, Jan 5--The warm-water harbour of Yantai in east China's Shandong Province has added three new wharves for 10,000-ton class vessels. Three new wharves for 5,000-ton class vessels were added at the same time. The harbour now has seven such berths, the original four and the new additions. [Text] [OW051307 Beijing XINHUA in English 0739 GMT 5 Jan 80 OW]

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